

Town of



AMHERST Massachusetts

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SELECT BOARD MEETING

February 9, 2009

New Business

To: Stephanie O'Keeffe, Chair, Amherst Select Board
Members of the Amherst Select Board

From: Laurence Shaffer, Town Manager

Date: February 9, 2009

Re: Proposed Water Sewer Rate Increase

Please find attached the water and sewer budget and usage projections. These charts outline the proposed budget for 2010 and the perspective rate increase. There has been a considerable amount of discussion relative to the projection of use. With the dramatic changes in consumption at the University of Massachusetts, it has made it much more difficult to project what our consumption is going to be. However, we believe our projections are conservative and at a minimum will be met. As a result, those projections indicate that the rate increases should be implemented as follows:

Rate increase per 100 cubic foot
Water-\$3.20-\$3.30 3.12 % increase
Sewer- \$3.10- \$3.25 5.8% increase

The Amherst average homeowner bill is projected to increase for sewer bills from \$372 per year to \$390 per year and relative to water bills from \$384 per year to \$396 per year.

Consequently, and consistent with, the Town Government Act, which deems that the Select Board is the water and sewer commissioner, the Select Board should adopt the following motions:

The Select Board acting as the Sewer Commissioner as prescribed by the Town Act, hereby increases the sewer rate from \$3.10/100 cubic foot, to \$3.25/100 cubic foot effective July 1, 2009.

The Select Board acting as the Water Commissioner hereby increases the water rate from \$3.20 to \$3.30/100 cubic foot effective July 1, 2009.



**WATER FUND BUDGET PROJECTIONS/
USER CHARGE PROJECTIONS**

| | FY 08 Actual | FY09 | FY10 |
|--|-----------------|---------------|---------------|
| 1 Other Operating Revenues | 258,511 | 160,000 | 160,000 |
| 2 Appropriation from Surplus | 107,453 | 250,000 | 0 |
| 3 Appropriation from unused articles | | | |
| 4 Operating Expenses | (2,318,437) | (2,473,336) | (2,564,680) |
| 5 Transfers to General Fund & Reserves | (385,742) | (385,112) | (394,416) |
| 6 Current Debt | (724,991) | (920,559) | (811,988) |
| 7 Proposed Debt | | | |
| 8 Capital Expenses | (414,947) | (445,000) | (366,600) |
| 9 User Charge Revenues Needed | | | |
| 10 To Cover Costs | (\$3,478,153) | (\$3,814,007) | (\$3,977,684) |
| 11 | | | |
| 12 Rate Needed to Cover Costs - excluding other source | \$2.84 | \$3.33 | \$3.49 |
| 13 Rate Needed to Cover Costs - including other source | \$2.76 | \$3.13 | \$3.49 |
| 14 Rate subsidized by surplus and other available funds | \$0.09 | \$0.20 | \$0.00 |
| 15 | | | |
| 16 Actual/Proposed Rates: | | | |
| 17 Over 100,000 | | | |
| 18 10,000 - 100,000 | \$3.00 | \$3.20 | \$3.30 |
| 19 Under 10,000 | \$3.00 | \$3.20 | \$3.30 |
| 20 | | | |
| 21 Usage (Hundreds Cu Ft) | | | |
| 22 Over 100,000 | | | |
| 23 10,000 - 100,000 | 608,595 | 570,000 | 530,000 |
| 24 Under 10,000 | 653,831 | 650,000 | 610,000 |
| 25 Total Usage (Hundreds Cu Ft) | 1,262,426 | 1,220,000 | 1,140,000 |
| 26 | | | |
| 27 Budgeted User Charge Revenues | 3,640,000 | | |
| 28 Projected User Charge Revenues (billed) | \$3,787,278 | \$3,904,000 | \$3,762,000 |
| 29 Actual User Charge Revenues(collected) | \$3,617,223 | | |
| 30 Outstanding Balance as of 6/30/08 | 309,125 | 89,993 | (215,684) |
| 31 Actual/Projected Operating Surplus (Deficit) | | | |
| 32 | | | |
| 33 | | | |
| 34 Operating Surplus(Deficit) after Capital Projects | 309,125 | 89,993 | (215,684) |
| 35 Appropriation from Surplus | -250,000 | | |
| 36 PY Encumbrances returned to Fund Balance | | | |
| 37 Other Adjustments | -15,069 | | |
| 38 Water Fund Balance, Beginning of Year | 1,106,152 | 1,150,207 | 1,240,200 |
| 39 | | | |
| 40 Unreserved WF Balance, End of Year | \$1,150,207 | \$1,240,200 | \$1,024,516 |
| Amherst Annual Average Homeowner Bill | | | |
| @ 120 hundred cubic feet (90,000 gals.) | | | |
| | 360 | 384 | 396 |

**SEWER FUND BUDGET PROJECTIONS/
USER CHARGE PROJECTIONS**

| | FY08 Actual | FY09 Projected | FY10 Projected |
|---|----------------|-------------------|-------------------|
| 1 Other Operating Revenues | \$289,541 | \$181,000 | \$156,000 |
| 2 Appropriation From Surplus | | | |
| 3 Operating Expenses | (2,357,816) | (2,621,912) | (2,709,610) |
| 4 Transfers to General Fund & Reserves | (296,400) | (302,265) | (306,144) |
| 5 Current Debt | (343,758) | (341,471) | (333,804) |
| 6 Total Actual/Proposed Capital Expenses | (462,000) | (405,000) | (373,600) |
| 7 User Charge Revenues Needed | | | |
| 8 To Cover Costs | (\$3,170,433) | (\$3,489,648) | (\$3,567,158) |
| 9 | | | |
| 10 Rate Needed to Cover Costs | \$2.71 | \$3.06 | \$3.48 |
| 11 | | | |
| 12 Actual/Proposed Rate | \$3.00 | \$3.10 | \$3.25 |
| 13 | | | |
| 14 Usage (Hundreds Cu Ft) | 1,170,000 | 1,140,000 | 1,026,000 |
| 15 Projected | 1,135,765 | | |
| 16 Actual Collected Against (Rev/Rate) | | | |
| 17 | | | |
| 18 | | | |
| 19 Budgeted User Charge Revenues | 3,464,878 | | |
| 20 Projected User Charge Revenues (billed) | 3,510,000 | 3,534,000 | 3,334,500 |
| 21 Actual User Charge Revenues (collected) | 3,407,295 | | |
| 22 | | | |
| 23 Outstanding balance | | | |
| 24 Operating Surplus (Deficit) | 339,567 | 44,352 | (232,658) |
| 25 | | | |
| 26 Reserved for Expenditures | 0 | 0 | 0 |
| 27 PY Encumbrances returned to Fund Balance | | | |
| 28 Sewer Fund Balance, Beginning of Year | (76,210) | | |
| 29 Adjustment | 993,966 | 1,257,323 | 1,301,675 |
| 30 Unreserved SF Balance, End of Year | \$1,257,323 | \$1,301,675 | \$1,069,017 |
| 31 | | | |
| 32 | | | |
| 33 Amherst Annual Average Homeowner Bill | \$360 | \$372 | \$390 |
| @ 120 hundred cubic feet (90,000 gals.) | | | |
| | 36.3% | 35.5% | 28.7% |

UMass Water and Sewer Consumption and Billing Analysis FY 04 - FY 08

| Fiscal Year | Water Consumption cu ft | Unmetered Water 12/05-12/06 * | Estimate 6/2008 ** | Total Water Consumption cu ft | Percent Change | Cost *** of Water | Percent Change | Cost of Sewer | Percent Change | Total Cost Water and Sewer | Percent Change |
|--------------------------|-------------------------|-------------------------------|--------------------|-------------------------------|----------------|-------------------|----------------|---------------|----------------|----------------------------|----------------|
| 2004 | 59,227,600 | | | 59,227,600 | | \$ 1,300,790 | | \$ 1,026,973 | | \$ 2,327,763 | |
| 2005 | 50,948,600 | | | 50,948,600 | -14% | \$ 1,112,074 | -15% | \$ 900,600 | -12% | \$ 2,012,674 | -14% |
| 2006 | 38,331,900 | 2,156,316 | | 40,488,216 | -21% | \$ 893,353 | -20% | \$ 926,059 | 3% | \$ 1,819,412 | -10% |
| 2007 | 29,823,200 | 1,616,584 | | 31,439,784 | -22% | \$ 787,100 | -12% | \$ 835,291 | -10% | \$ 1,622,390 | -11% |
| 2008 | 37,209,500 | | | 37,209,500 | 18% | \$ 1,084,056 | 38% | \$ 1,114,630 | 33% | \$ 2,198,686 | 36% |
| 2009 - through 1/30/2009 | 25,196,800 | | | | | \$ 798,593 | | \$ 770,586 | | \$ 1,569,179 | |

| | | |
|---|------------------|------------------|
| <p>This billing error was due to an equipment malfunction. The radio transmitter located on the meter in the underground meter vault failed to transmit an accurate signal to the meter reading logging device. The correct reading was taken from the meter itself and the transmitter was repaired.</p> | 12/2005 - 6/2006 | 7/2006 - 11/2007 |
| | 3,568,500 | 2,823,700 |
| | 1,736,200 | 2,761,100 |
| | 2,644,100 | 3,155,400 |
| | 2,647,000 | 3,021,500 |
| | 3,081,000 | 3,027,000 |
| | 3,225,300 | |
| | 2,826,800 | |
| % of Total (1) | 19,728,900 57% | 14,790,700 43% |

1) Based on Total UMass usage for the time of unmetered water used.

| | Total | FY 06 | FY 07 |
|-----------------------|------------|------------|-----------|
| Unmetered Consumption | 3,772,900 | 2,156,316 | 1,616,584 |
| Dollars Total | \$ 181,207 | \$ 103,565 | \$ 77,642 |
| Water | \$ 90,658 | \$ 51,814 | \$ 38,844 |
| Sewer | \$ 90,550 | \$ 51,752 | \$ 38,798 |

** Based on FY 07 Monthly Consumption for 6 months

| Fiscal Year | Effluent Water Consumption cu ft | Cost |
|-------------|----------------------------------|-----------|
| 2006 | 7,073,080 | \$ 35,365 |
| 2007 | 7,330,114 | \$ 36,651 |
| 2008 | 7,701,666 | \$ 38,508 |

*** Includes effluent water for FY 06, FY 07 and FY 08

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| Year | Total Town | UMass % |
|------|-------------|---------|
| 2004 | \$2,936,633 | 44.3% |
| 2005 | \$2,914,638 | 38.2% |
| 2006 | \$2,628,812 | 34.0% |
| 2007 | \$2,921,743 | 26.9% |
| 2008 | \$3,800,510 | 28.5% |

UMass Water Bills as a Percentage of Total Billed

| Year | Total Town | UMass % |
|------|-------------|---------|
| 2004 | \$2,450,931 | 36.7% |
| 2005 | \$2,445,322 | 36.8% |
| 2006 | \$2,807,334 | 33.0% |
| 2007 | \$2,992,507 | 27.9% |
| 2008 | \$3,516,047 | 31.7% |

UMass Sewer Bills as a Percentage of Total Billed

| Year | Total Town | UMass % |
|------|-------------|---------|
| 2004 | \$5,387,913 | 43.2% |
| 2005 | \$5,359,961 | 37.6% |
| 2006 | \$5,436,147 | 33.5% |
| 2007 | \$5,914,251 | 27.4% |
| 2008 | \$7,316,557 | 30.1% |

UMass Water and Sewer Bills as a Percentage of Total Billed

| Year | Total Town | UMass % |
|------|-------------|---------|
| 2004 | \$5,387,913 | 43.2% |
| 2005 | \$5,359,961 | 37.6% |
| 2006 | \$5,436,147 | 33.5% |
| 2007 | \$5,914,251 | 27.4% |
| 2008 | \$7,316,557 | 30.1% |